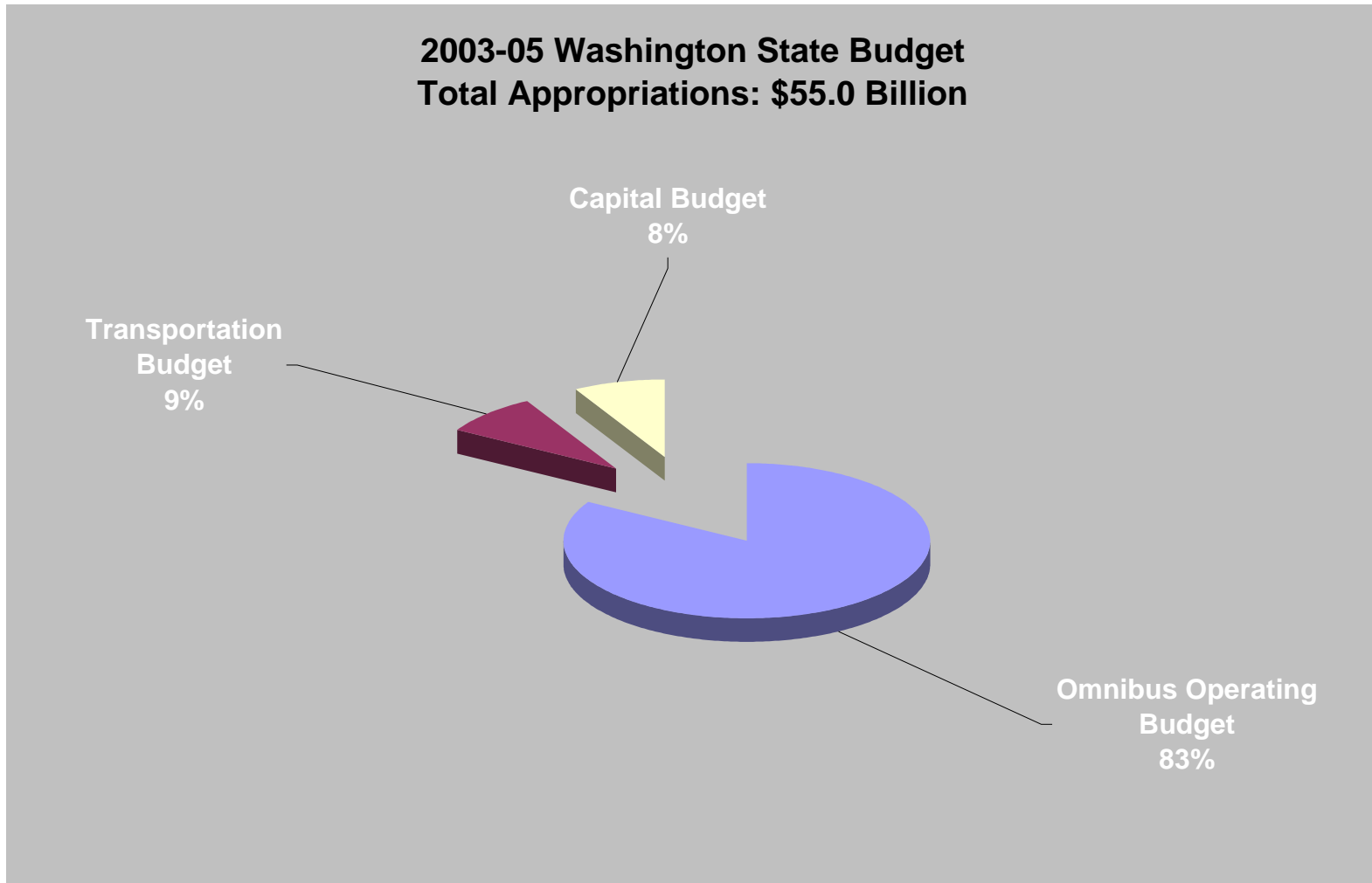

Transportation Budget

Overview and Table of Contents

This section provides an overview of the transportation budget and the budgeting process. The Senate and House Transportation Committees develop the transportation budget bill for consideration by the full House and Senate. Included is information on agencies funded by the bill, transportation revenue sources, and transportation funds and accounts. These areas are covered in detail in other sections of this manual. In addition, there is a description of the implications of recent Initiatives and legal actions regarding transportation.

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Total State Budget Appropriations Chart



State Budgeting Overview

The Legislature makes its biennial appropriations in three budget bills:

OPERATING BUDGET

- Also called Omnibus or General Fund Budget
- Funded primarily with revenue from the General Fund
- Provides appropriations for operations of most state agencies
- Does not fund agencies that exclusively operate transportation programs
- Provides funding for non-transportation programs of the State Patrol and the Department of Licensing
- 2003-05 Appropriations: \$45.5 billion (\$23.2 billion, General Fund; \$22.3 billion, dedicated accounts)*

CAPITAL BUDGET

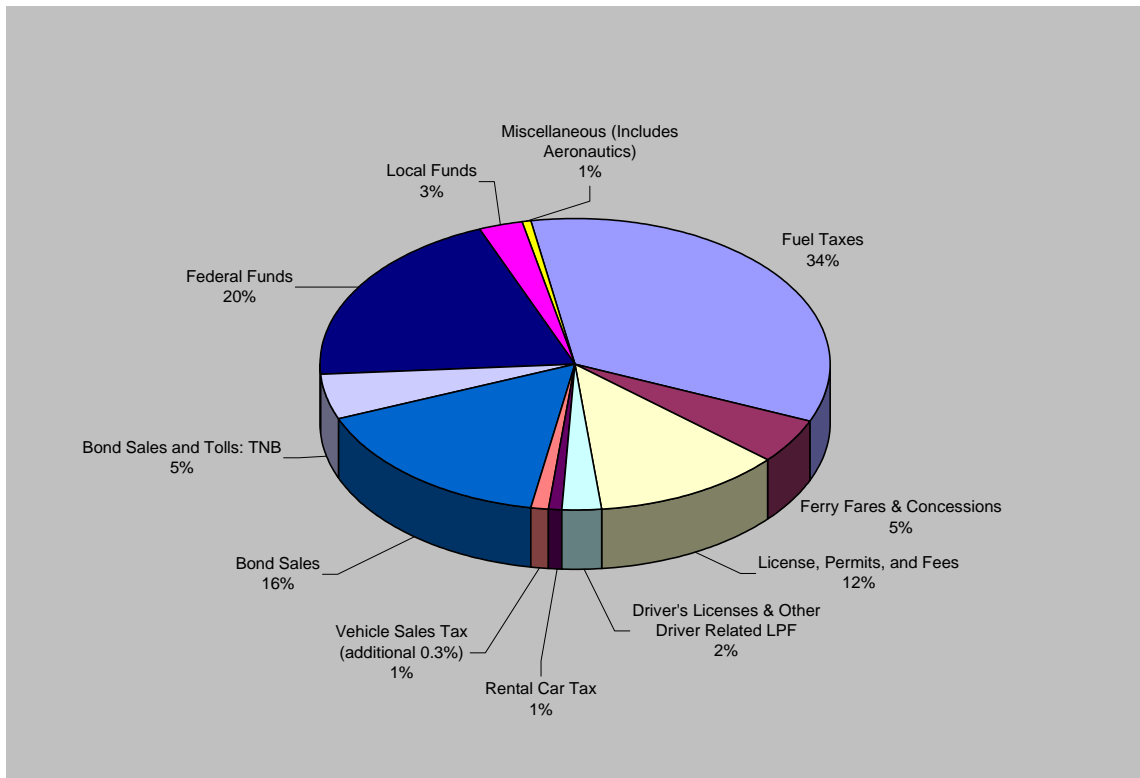
- For state capital projects, except transportation projects
- Revenue mainly from bonds supported by General Fund revenue
- 2003-05 Appropriations: \$4.6 billion*

TRANSPORTATION BUDGET

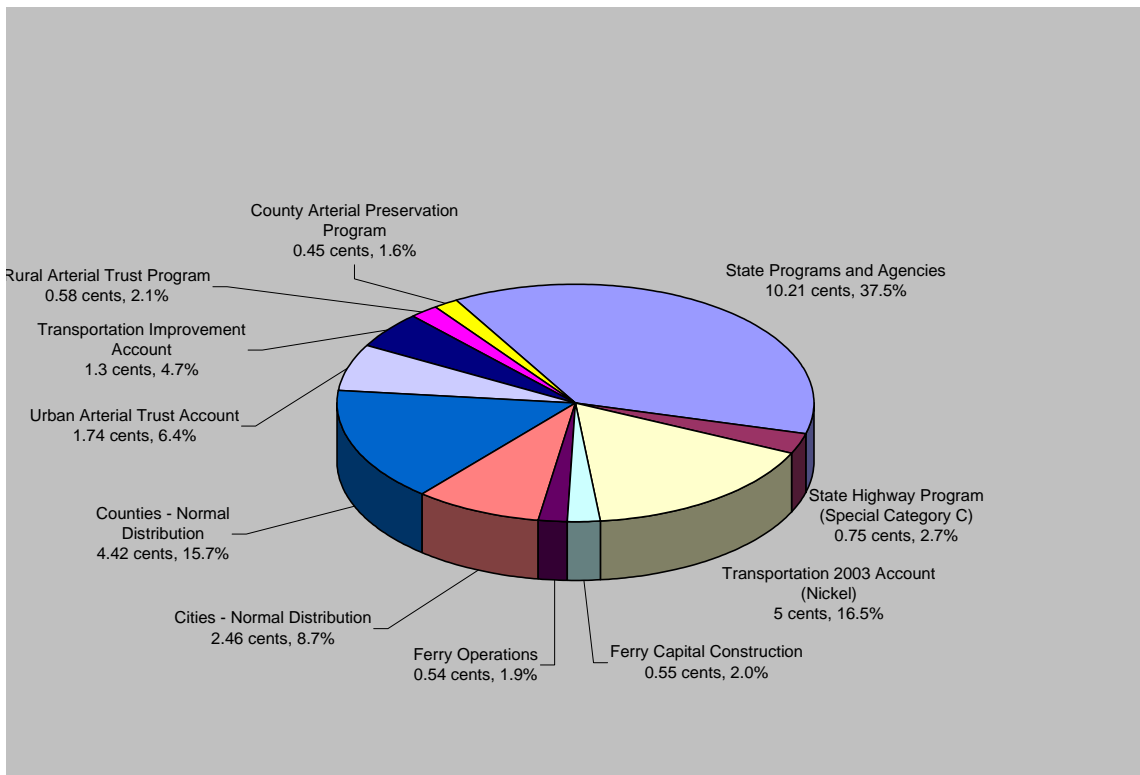
- Used for operating and capital purposes
- Funded mainly from accounts within the Motor Vehicle Fund and Transportation Fund
- Revenue mainly from transportation user fees
- 2003-05 Appropriations: \$4.8 billion*

- * Includes 2003-05 biennial budget bills passed in 2003 and supplemental budget bills passed in 2004; may be revised in 2005 by supplemental budget bills.

2005-07 Transportation Revenue Sources – Projected

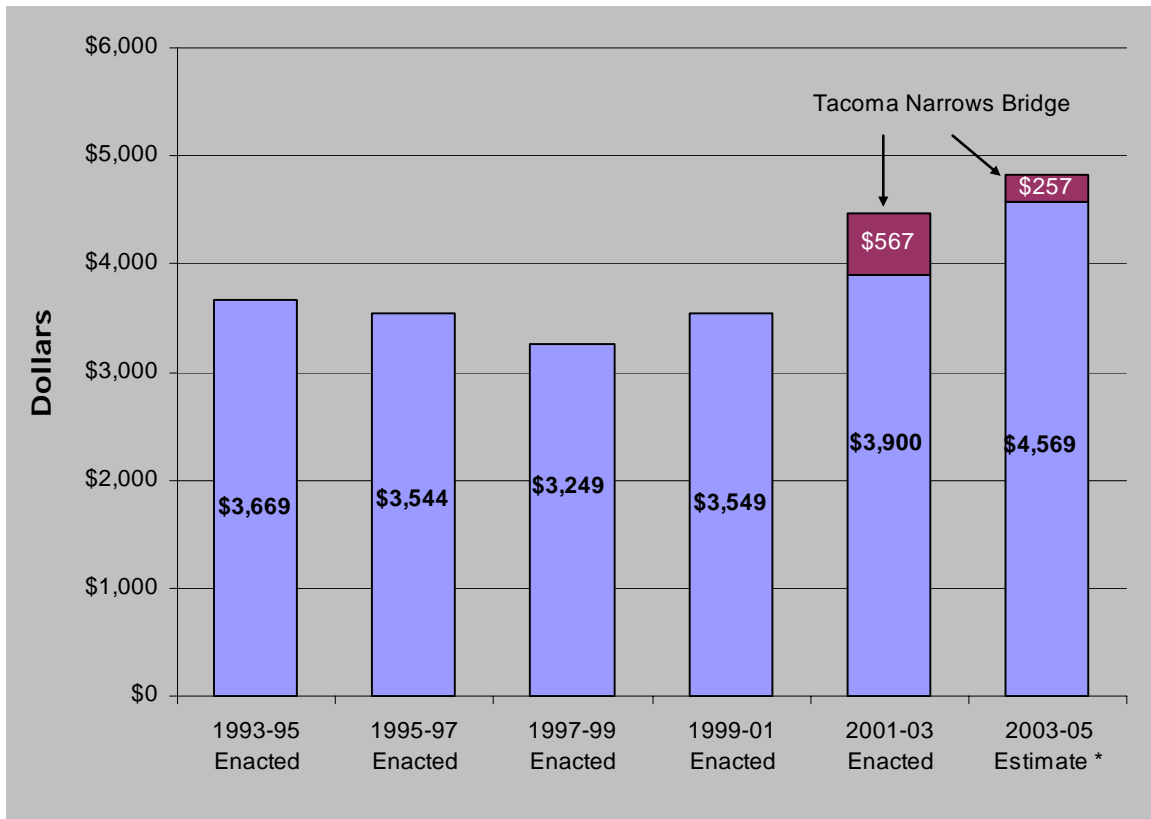


Distribution of the 28 Cent State Gas Tax



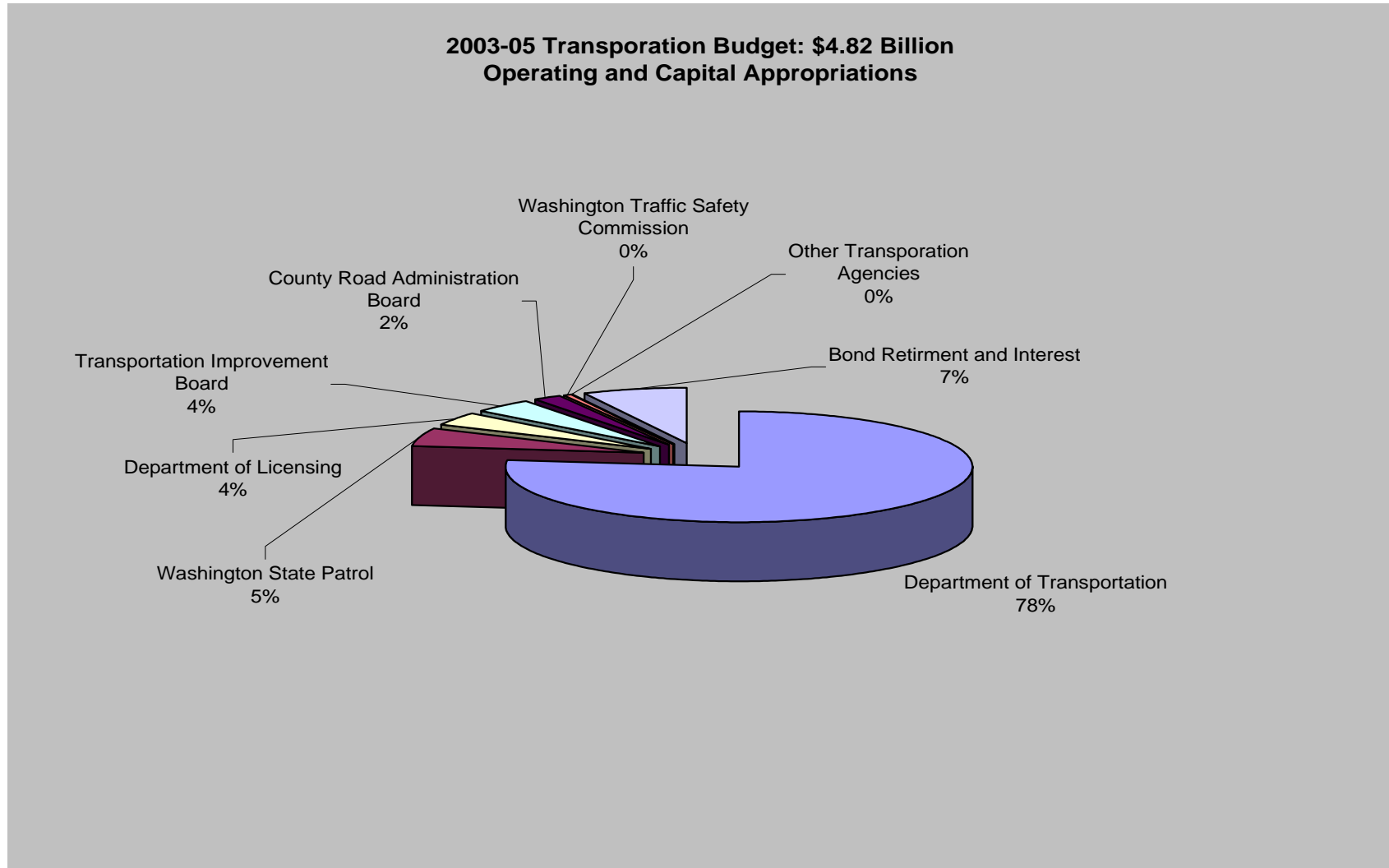
Washington State Transportation Budget

Dollars in Millions; Includes Debt Service



* Includes Agency Request Supplemental Budget (2005)

2003-05 Transportation Budget



Revenue Sources for the Transportation Budget

USER FEES (See page 19 for table of [*Transportation Taxes and Fees*](#))

- State-collected user fees include gas tax (or fuel tax); vehicle licenses, permits, and fees, including vehicle registration fees, combined license fees (gross weight fees), and various other fees such as ferry fares, tolls, plate fees, oversize and additional tonnage fees, and title fees. In the 2003 session, the Legislature increased the fuel tax by 5 cents from 23 cents per gallon to 28 cents per gallon and also increased the gross weight fees by 15%. These funds are deposited into a subaccount within the Motor Vehicle Account and are dedicated to a specific set of projects.
- Traditionally, user fees have been the primary means for funding transportation needs. The first state gas tax was imposed in 1921 and vehicle registration fees were first collected in 1905.
- The 18th Amendment to the State Constitution (passed November, 1944) specifies that all gas tax and vehicle licenses, permits, and fees be deposited in the Motor Vehicle Fund and be used for highway purposes. Ferries, State Patrol highway activities, Department of Licensing functions, as well as portions of other agencies' budgets (Parks, Department of Agriculture, etc.) have been defined as highway purposes.

(Note: About one-quarter of the 28 cent state gas tax revenue is distributed directly to cities and counties for local road projects and is not subject to appropriation by the Legislature. Local jurisdictions also receive gas tax revenue through grant programs of the state's County Road Administration Board and Transportation Improvement Board which are funded in the transportation budget. This means approximately 40% of the gas tax revenue is distributed to local jurisdictions for road projects.)

- The most direct user fees are ferry fares which partially pay for ferry operations.
- Tolls on the Tacoma Narrows Bridge will commence in the spring of 2007 when the new bridge opens to traffic.

VEHICLE SALES TAX

- A sales tax of 5.9% of a rental contract amount is imposed upon the rental of a vehicle. Money collected is deposited into the Multimodal Transportation Account.
- In 2003, the Legislature added a three tenths of 1% tax on the sale of motor vehicles.

FEDERAL FUNDING

- Federal funding comes from the Transportation Equity Act for the 21st Century (TEA-21). TEA-21 provides six years' (FFY 1998-2003) of federal funding for highways, bridges, highway safety, mass transportation (including transit, rail, air, ferry systems), transportation enhancements (e.g., bicycle/pedestrian facilities), and environmental issues. Reauthorization of the federal transportation act is pending as of the publication of this resource manual.
- TEA-21 retained and built on most of the programs established in ISTEA. The most significant changes in TEA-21 included: guaranteed spending levels, increased spending on surface transportation compared with ISTEA, and a new way of ensuring funding equity between states. Washington State is guaranteed to receive 90.5% of every dollar sent to Washington D.C.

- TEA-21 revenues come from the federal gas tax, currently 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel, along with taxes on truck and tire sales, and taxes on alternative fuels.
- Generally, projects qualifying for funds are 80% federal with 20% state match.

DEBT FINANCING

- Initially, cash was used to pay for transportation improvements. During and after the depression, however, public debt was incurred for highway construction projects.
- Debt financing increased or decreased, depending on the availability of tax revenues and the magnitude of needed improvements.
- Transportation bonds are ultimately backed by the full faith and credit of the state (general obligation) but have other sources of repayment that constitute the primary source for debt service. Highway bonds are first backed by gas tax revenues and are exempt from statutory or constitutional debt limits. The 2003 revenue package also authorized multimodal bonds backed by the sales tax on vehicles. These bonds are exempt from the statutory debt limit but fall under the 9% constitutional debt limit.
- Highway debt service is now about 10% of all state motor vehicle revenues, but is approximately 25% of the state portion of the gas tax. That percentage will rise considerably in the next decade since the 2003 transportation package projected bonding the entire 5 cent gas tax increase for debt service for planned projects.

DRIVER LICENSE AND RELATED FEES

- These fees are deposited into the Highway Safety Fund and used to operate the driver licensing offices and driver-related programs. The driver license fee is \$25 for a five-year license.

FINES AND FORFEITURES

- Penalty fees in minor amounts are deposited directly into the Motor Vehicle Fund. For the most part, these penalty fees are late fees assessed for failure to comply within certain time frames.
- The Impaired Driving Safety Account, created in the 1998 Legislative session, receives revenue from drivers' license reinstatement fees for alcohol- and drug-related driving arrests. The account is used to fund programs to reduce impaired driving and to provide funding to local governments for enforcement of impaired-driving laws.

Transportation Taxes and Fees (2005-2007 Biennium)

Revenue Source	Amount	2005-2007 Forecast
Aircraft Dealers License Fee	\$75 per year	\$8,100
Aircraft Excise Tax	\$20-\$125 per year	\$537,000
Aircraft Fuel Tax	10 cents per gallon	\$4.8 million
Aircraft Pilot Registration Fee	\$15 per year	\$325,000
Aircraft Registration Fee	\$15 per year per aircraft	\$166,000
Camper Registration Fee*	\$4.90 Original; \$3.50 Renewal	\$330,000
Collegiate License Plate	\$40 original \$30 renewal per year	\$951,000
Combined Licensing Fee*	\$30 to \$3,402 per year	\$284 million
Commercial Driver License	\$20 every five years	\$2.2 million
Commercial Vehicle Safety Inspection Fee	\$10 per vehicle per year	\$3.3 million
Copies of Driver's Record	\$5 per copy	\$27.3 million
Dealer/Manufacturer Business License*	<i>Original fee (Renewal fee)</i> Dealer, Principal location--\$750 (\$250) Dealer, Subagency--\$100 (\$25) Dealer, Temporary subagent--\$125 (\$25) Manufacturer--\$750 (\$250)	\$2.9 million
Disabled Person Parking Plates and Placards*	Plates--\$9 replacement fee Placards--no fee	Minimal
Driver Instruction Permits	\$15	\$2.9 million
Driver License Examination Fee	\$10 per exam	\$9.6 million
Driver License Fee	\$25 every five years	\$54.8 million
Driver License Reinstatement Fee	\$20 (non-alcohol-related offense) \$150 (alcohol-related offense)	\$3.8 million
Duplicate Driver License Fee	\$15 per license	\$7.0 million
Farm Vehicle (on-road)-Gross Weight Fee*	Combined Licensing Fee (Annual) less \$23, divided by 2, plus \$23	\$2.4 million
Farm Vehicle Licensing Fee*	\$5 one-time fee	\$8,000
Ferry Fares	Set by Transportation Commission	\$267 million

Revenue Source	Amount	2005-2007 Forecast
For Hire (taxi) Business Permit and Vehicle Certificate	\$5 one-time permit fee \$20 per year per vehicle for certificate	\$61,000
Hulk Haulers, Scrap Processors, Wreckers License Fees*	\$10 new, renewal--Hulk Haulers \$25 new, \$10 renewal--Scrap Processors \$25 new, \$10 renewal--Wreckers	\$22,000
International Fuel Tax Agreement Decals	\$10 per set per year	\$620,000
International/Nonresident Vessel Identification Document Fee	\$25	\$18,000
Mobile Home Title Elimination Fee*	\$25 per application	\$647,000
Monthly License Fee*	\$2 plus \$2 for each month vehicle used (paid in addition to prorated combined license fee)	\$1.1 million
Motor Vehicle & Special Fuel Tax*	28 cents per gallon	\$1,881 million
Motor Vehicle Registration Fee (License Fee)*	\$30--Original & Renewal	\$296 million
Motorcycle Endorsement Fee/Instruction Permits	\$10 initial license, \$5 exam fee \$25 renewal endorsement, every five years \$15 instruction permit	\$2.9 million
Natural Gas and Propane Fee*	\$110 to \$588 per year	\$1.3 million
Occupational Driver's License Fee	\$25 application fee	\$575,000
Off-Road Vehicle Use Permits	\$18 annual permit \$7 for 60-day temporary permit	\$3.2 million
Personalized Plates	\$40 for original plates \$30 for renewal	\$5.7 million
Prisoner of War/Disabled Veteran Plates	no fee	N/A
Proportional Registration Plates and Fees***	\$10 Plates \$2 Cab Card \$2 Validation Tab \$4.50 Vehicle Transaction Fee	\$1.5 million
Reflectorized Plate Fee*	50 cents per plate	\$3.0 million
Rental Vehicle Sales Tax (in lieu of MVET)	5.9% of rental contract amount	\$46.6 million
Replacement Plate and Tab Fee*	\$3 Replacement; \$2 Motorcycle, \$1 tabs	\$6.5 million
Retail Sales and Use Tax on Motor Vehicles	0.3% of selling price	\$70.1 million
Rideshare Registration Fee*	\$25 one-time plate fee	\$26,000
Special Fuel Single Trip Permits*	\$25	\$531,000
Special License Plates*	\$0 - \$35	N/A

Revenue Source	Amount	2005-2007 Forecast
Special Permit for Oversize/Overweight Movement*	Single Trip--\$10 30 day permit (Oversize)--\$10 to \$20 30 day permit (Overweight)--\$70 to \$90 1 year permit (Oversize)--\$100 to \$150 1 year permit (Overweight garbage trucks pay \$42/1000 lbs.	\$12.3 million
Stadium License Plate	\$30 per year	\$350,000
Tow Truck Capacity Fee*	\$25 per year	\$87,000
Tow Truck Operator Fee*	\$100 per year for business; \$50 per vehicle per year	\$288,000
Transporter License Fee and Plates*	\$25 for new license \$15 for annual renewal \$2 per set of plates	\$65,000
Trip Permit Fee**	\$20 for three days	\$6.9 million
Vanpool Registration Fee	\$25 per year	\$50,000
Vehicle Certificate of Ownership and Inspection Fee*	Inspection--\$15, \$50 Certificate of Ownership--\$5	\$39.9 million
Vessel Pilot License Fee	\$3,000 per year	\$342,000
Vessel Registration Fee	\$10.50 per year	\$5.9 million
Watercraft Excise Tax**	0.5% of fair market value (\$5 minimum)	\$22.8 million

* 18th Amendment tax or fee

** Revenues deposited in General Fund

*** Portion of tax or fee restricted by 18th Amendment

Funds and Accounts in the Transportation Budget

Agencies funded in the Transportation Budget receive appropriations from numerous transportation accounts, many of which are restricted.

- **Accounts in the Motor Vehicle Fund - Restricted by 18th Amendment:**

- Motor Vehicle Account: Used primarily to fund highway programs of the Department of Transportation and vehicle services programs of the Department of Licensing (DOL). Funds highway-related programs in several other agencies. (Sources: 37.5% of the state-collected gas tax; vehicle licenses, permits, and fees)
- Transportation 2003 Account (Nickel): Dedicated to a specific list of projects identified in the 2003 package. (5 cents, or 16.5%, of the state-collected gas tax; portion of gross weight fees on trucks)
- Special Category C Account: For Special Category C projects, which require special financing measures due to their high cost. (Source: 2.7% of the state gas tax)
- State Patrol Highway Account: Funds highway activities of the Washington State Patrol. (Sources: \$30 New and Renewal of vehicle registration fee; 23.677% of combined licensing fee, 50% of a \$10 terminal safety inspection fee collected by the Washington Transportation and Utilities Commission)
- Department of Licensing Services Account: To provide funding for information and service delivery systems of the DOL and for reimbursement of county licensing activities. (Source: \$0.50 fee on vehicle registrations)
- Puget Sound Capital Construction Account: Provides funding for ferry vessel and terminal construction programs. (Sources: 2.0% of the state gas tax)
- Puget Sound Ferry Operations Account: Provides tax support for operations and maintenance of the Washington State Ferry System. (Sources: 1.9% of the state gas tax; 1.521% of combined licensing fee; ferry fares)
- Transportation Improvement Account: Provides local grants through the Transportation Improvement Board (TIB) for transportation projects needed to address congestion caused by economic development or growth. (Source: 4.77% of state gas tax)
- Urban Arterial Trust Account: Provides local grants through TIB for construction and improvement of arterials within cities and urban areas of counties. (Source: 6.4% of the gas tax)
- Rural Arterial Trust Account: Provides local grants through the County Road Administration Board (CRAB) for construction and reconstruction of county arterials and collectors in rural areas. (Source: 2.1% of the state gas tax)
- County Arterial Preservation Account: Provides funding through CRAB for preservation of county paved arterials. (Source: 1.6% of state gas tax)
- Recreational Vehicle Account: Provides funds for the construction and maintenance of recreational vehicle sanitary disposal systems at rest areas on federal-aid highways. (Source: \$3 surcharge collected from Recreational Vehicle owners at the time their RV is registered each year)

- Puyallup Tribal Settlement Account: Provides funding for roadway improvements in the SR 509 corridor in the Tacoma tide flats. (Source: Treasury deposit earnings)
- Highway Infrastructure Account: Provides support for the issuance of public or private debt, credit enhancements for such debt, and direct loans to public or private entities. (Source: Federal funds and loan repayments)
- **Accounts in the Multimodal Transportation Fund:**
 - Multimodal Transportation Account: Provides funding for general transportation purposes; not subject to 18th Amendment restrictions. (Source: Car rental tax; \$2.00 motor vehicle filing fee, when collected by the Department of Licensing; interest on the emergency reserve account)
 - Essential Rail Assistance Account: For loans to preserve current rail lines or corridors for future rail service. (Source: General Fund bond proceeds, loan repayments)
 - Highway Safety Account (or Highway Safety Fund): Primarily funds driver-related programs of the Department of Licensing. Also provides state match for Traffic Safety Commission federal grants. (Source: Driver-related licenses and fees)
 - Motorcycle Safety Education Account: Funds motorcycle driver licensing and safety education. (Source: Motorcycle operator license fees)
 - Aeronautics Account: Provides funding for support of DOT's Aviation Division and state and local airports. (Source: 10 cent aircraft fuel tax; \$15 aircraft registration fee; \$7 of Aircraft Pilot Registration Fee; 10% of aircraft excise tax)
 - Aircraft Search and Rescue Safety and Education Account: Provides funds for the search and rescue of lost and downed aircraft, and for aviation safety and education (Source: \$8 of Aircraft Pilot Registration Fee)
 - Impaired Driving Safety Account: To provide funding for projects designed to reduce impaired driving and to offset local governments' costs of enforcing laws related to impaired driving and boating (Source: 63% of \$150 drivers' license reinstatement fees for alcohol- and drug-related driving arrests)
 - Pilotage Account: Provides funding for licensing of marine pilots in Puget Sound and adjacent inland waters, and in Grays Harbor and Willapa Bay. Fund also supports activities of the Board of Pilotage Commissioners. (Source: Vessel pilot license fees)
 - Washington Fruit Express Account: Provides funding for the operations of the Washington fruit express and east-west passenger rail. (Source: Charges and miscellaneous revenue)
- **Accounts in other funds:**
 - Grade Crossing Protective Account: Provides funding to cover the costs of installation and maintenance of railroad signals and the administration costs of the Utilities and Transportation Commission. (Source: 80% of treasury deposit earnings)
 - School Zone Safety Account: Funds are used by community organizations to improve safety near school zones. (Source: Fines for speeding violations in school zones)

Transportation Budget Process

- Each summer transportation agencies prepare budget submittals per instructions from the Office of Financial Management (OFM). In even numbered years the agencies are preparing for the upcoming biennial budgets and in odd numbered years they are preparing for the first supplemental budget. WSDOT first submits its budget to the Transportation Commission for approval and subsequent submission to OFM.
- The Governor submits a biennial transportation budget to the Legislature, which contains proposed expenditures for each of the transportation agencies. A ten-year financial plan is also provided to show the proposed long term revenue and expenditure assumptions. A 10-year capital plan is submitted for all transportation agency owned facilities, including marine capital projects.
- Each year the Governor's budget is introduced in both the House and Senate but, by tradition, the House and Senate alternate each biennium in initiating the passage of the budget. In 2005, the Senate will initiate the budget. It is also traditional that the budget release occurs shortly after the Spring revenue forecast. In odd numbered years, the forecast is released in mid-March, in even numbered (supplemental) years, the forecast occurs in February.
- After the Governor's budget is introduced and referred to the House or Senate Transportation Committee, the following typically occurs:
 - The Governor's budget office presents the Governor's budget recommendations
 - Agencies present their budget requests to the committee
 - Public hearing(s) are held
 - Work sessions are held to provide members an opportunity to debate issues, ask questions, explore issues, and develop potential amendments to the budget
 - An executive session is held when the members are ready to vote on the budget, including all of the proposed amendments
- After the budget bill is passed out of the transportation committee with a "Do Pass" recommendation, it is sent to the full House or Senate body for consideration.
- The Rules Committee has responsibility for scheduling the hearing of the budget bill (and all others) on the floor of the House or Senate.
- After the Rules Committee places the budget on the legislative calendar for an introductory reading, it is placed on the Second Reading calendar.
- Once the bill is on the Second Reading calendar, any member of the legislative body can offer amendments.
- A simple majority vote is required for Final Passage (called Third Reading). (A 60% vote of both houses is required for Final Passage of bond authorization bills.)
- If passed, the budget bill goes to the opposite legislative body where the entire process is repeated.
- Usually the budget bill passed by one legislative body is not identical to that passed by the other. If neither House nor Senate is willing to accept the other's version, differences are often resolved by appointing members from each legislative body to a Conference Committee.

- A simple majority vote by each legislative body is then necessary for adoption of the Conference version of the budget. Amendments to the Conference version are not permitted.
- The budget, as adopted, is then sent to the Governor's Office for signature and enactment. The Governor may veto all or portions of the budget bill.

Miscellaneous Budget Information

- The state operates on a biennial basis starting July 1 of each odd-numbered year. The federal government budgets for one year at a time, with a fiscal year that starts on October 1. Local governments generally have annual budgets based on the calendar year.
- Appropriation sections in budget bills are not codified (i.e., are not incorporated into the Revised Code of Washington, or RCW). Language in these sections lapses at the end of the biennium that it addresses. Codified law may be modified in an appropriations bill if the total section of law is set forth.
- Expenditure authority of agencies is limited by funding levels and proviso language included in budget legislation.
- Budget bills that increase General Fund spending above the limits imposed by Initiative 601 require a two-thirds vote of both houses and majority vote of the public.
- Non-budget bills may also contain appropriations.
- The Governor is required to propose the biennial budget to the Legislature by December 20 preceding the budget session. Supplemental budgets are required to be submitted not less than 20 days prior to session.
- The Governor may veto whole sections of the budget bill or individual appropriation items within a section.
- A biennial budget may be amended during the biennium it addresses in a supplemental budget bill. Supplemental budgets are commonly adopted in each of the two sessions that occur during a biennium.
- During the legislative session, budgets and bills required to complete the budget are exempt from the normal cutoff dates. Several days are generally provided after the cutoffs to deal with budget matters.
- Bills authorizing the sale of bonds require a 60% vote for Final Passage. A simple majority is required on all prior votes and in committee.
- While there are separate operating and capital budgets for general government, the transportation budget addresses both operating and capital expenditures for transportation agencies.
- A large number of transportation capital appropriations are made on a programmatic basis, that is, the appropriations are provided from agency management based on statutory priorities. The Department of Transportation, the Transportation Improvement Board, and the County Road Administration Board determine projects based on priority arrays developed according to statutory law. The Legislature typically provides funding for entire programs based on the priority array, but provides general direction by publishing project lists indicating its policy direction.
- Since the 1990 revenue increase, the Legislature has provided more project specific direction. In 1990, the Legislature established the Category C program which initially earmarked the additional portion of the gas tax dedicated to state projects to specific projects. Those revenues are now primarily dedicated to debt service for improvements on Seattle's First Avenue bridge, SR 18, and the Spokane N/S freeway. In 2002, the

Legislature submitted Referendum 51 to the voters which asked for approval of new revenues for a specific set of highway and multimodal improvements. After the failure of Referendum 51, the Legislature subsequently passed the 2003 Transportation package that provided both highway and multi-modal revenues for a list of projects referred to in the budget.

Recent Initiatives, Referenda, and Legal Decisions

Initiative 601 – Expenditure & Revenue Limitation

Background

In November 1993, Washington voters approved Initiative 601, which limits spending from the state's General Fund. I-601 also contains certain restrictions on tax and fee increases. The initiative is codified as Chapter 43.135 RCW.

Main Provisions

- Spending limits apply only to state General Fund

The spending limits imposed by I-601 apply only to expenditures from the state General Fund. Transportation-related funds and accounts that do not reside within the state General Fund are not subject to the spending limits. Examples of such funds and accounts include the Motor Vehicle Fund (MVF) and the Transportation Fund (TF).

- State agencies restricted from increasing fees

I-601 provides that fees may not be increased in any fiscal year by a percentage greater than the fiscal growth factor (reflecting population growth and inflation), unless the Legislature specifically authorizes the increase. No distinction is made between transportation-related fees and other government fees. Money charged by state government as penalties, fines, or forfeitures are not restricted by this provision.

- General tax increases are restricted, but gas tax increases are probably not subject to the same restrictions. The initiative is unclear how revenue restrictions may apply to non-General Fund revenues. I-601 requires a two-thirds vote of the Legislature for tax increases. However, the same clause also states that any new revenue generated by such a tax increase is subject to the state spending limit. Since the spending limit applies only to the General Fund, it could be argued that only tax increases flowing into the General Fund are subject to this limitation.

The state's motor fuel taxes ("gas tax") are deposited into the Motor Vehicle Fund, which is a separate trust fund maintained solely for highway purposes, as required by Amendment 18 of the state Constitution. Since the gas tax is not deposited in the General Fund, it is unlikely that I-601's tax increase restrictions apply to the state gas tax. The same analysis applies to any revenue source that is required by Amendment 18 to be deposited in the Motor Vehicle Fund.

To date, the only case involving the application of I-601 to transportation-related funds and accounts is Western Petroleum Importers v. Friedt. This case upheld the Legislature's action to revoke a tax break given to producers of gasohol. However, this case examined a specific voter-approval section of I-601 that expired in 1995.

Initiative 695 – MVET Repeal and Tax Restrictions

Background

In November 1998, Washington voters passed Referendum 49, which reduced the MVET to \$30 per vehicle and changed the depreciation schedule for newer vehicles. Referendum 49 reduced taxes by \$258 million in the 1999-01 Biennium and redirected \$143 million in MVET revenues from the state General Fund during that period to bolster transportation funding. The referendum authorized \$1.9 Billion in fuel tax bonds for transportation projects and programs.

The voters passed Initiative 695 on November 2, 1999 repealing the MVET and nullifying the effects of Referendum 49. The constitutionality of the Initiative was challenged and brought before King County Superior Court. On March 14, 2000, the court ruled that the Initiative, in its entirety, was unconstitutional.

In response to the court action, on March 22, 2000, the Legislature passed SB 6865 reinstating many of the provisions of the initiative (Chapter 1, 1st Special Session, Laws of 2000). The State Supreme Court affirmed the Superior Court decision on October 26, 2000.

SB 6865 repealed the remaining state MVET, the state travel trailer and camper excise tax, and the state clean air excise tax in their entirety. It also increased the annual vehicle registration fee (license tab fee) to \$30 for passenger cars, cabs, motor homes, motorcycles, and tow trucks.

In the aggregate, I-695 reduced motor vehicle taxes and fees by up to \$1.1 billion in the 1999-01 Biennium and by up to \$1.7 billion in the 2001-03 Biennium. On an annual basis, I-695 reduced taxes and fees by an average of \$142 per registered vehicle. Of this loss in revenue, approximately 45% is attributed to state government, 24% to local government and 31% to local transit districts.

Initiative 776 – High Capacity MVET Repeal and Local Tax Restrictions

Background

I-776 was passed by the voters on November 5, 2002.

Main Provisions

- State combined license fee for light trucks – the combined license fee schedule contained in RCW 46.16.070 was amended so that trucks with a Declared Gross Weight of 8,000 pounds or less pay a combined license fee of \$30.
- High Capacity Transportation MVET – the authority of a Regional Transit Authority (RTA) to levy a voter-approved, high capacity transportation MVET was repealed. Sound Transit currently imposes a voter approved high capacity transportation MVET equal to 0.3% of vehicle value.
- Local option vehicle license fee – the statute authorizing a county or a qualified city or town to impose a voter-approved vehicle license fee of up to \$15 per year was repealed. The following four counties had imposed the fee: Douglas, King, Pierce, and Snohomish Counties.

Subsequent Actions

Prior to I-776 taking effect, a legal action was filed against the state challenging the constitutionality of I-776. This legal challenge, and other court decisions that came later, required the Department of Licensing to continue collecting the local option vehicle license fee and the higher gross weight fees during the months while the case was being decided. Douglas and Snohomish Counties chose not to join the law suit and stopped collecting the local option vehicle fee after the effective date of the Initiative.

In October 2003, the Washington State Supreme Court issued a decision holding that I-776 did not violate the Washington Constitution. Shortly after, all state and local fees were changed to comply with the Initiative. State and Local governments were ordered to refund the gross weight fees and local option vehicle fees that had continued to be collected while the suit was pending. The fees were refunded in October of 2004.

I-776 repealed the MVET for Regional Transportation Authorities (i.e., Sound Transit). However, Sound Transit had issued bonds in 1999 pledging the MVET revenue as security. Sound Transit has sued the state alleging the repeal of the MVET violates the Contracts Clause of both the Washington and Federal Constitutions. Sound Transit has moved for summary judgment and the suit is pending in Superior Court. The Sound Transit MVET will continue to be collected pending a court decision on this issue.